

Memo

From: Edward Lopez

To: Andrew Gillen, Charles Koch Foundation

Date: July 27, 2015

Re: Free Enterprise Educational Activities at Western Carolina University

As asked, I am summarizing the points raised about Western Carolina University during our phone call last week. I'll first provide some pertinent background. Next I'll describe the current situation here, in particular the hiring possibilities and my proposed strategy for successfully navigating them. Finally I'll propose an investment scenario and the value it would generate.

1. Background

WCU's economics faculty is housed in the School of Economics, Management, and Project Management, which is one of three Schools within the newly reorganized College of Business (CoB).

1A. Including the Dean of the CoB, there are currently six economics faculty on staff.

- Robert Mulligan, Professor (Binghamton Ph.D.). Research area is empirical studies in Austrian capital theory and Financial Instability Hypothesis. A prolific publisher, he attends SEA, APEE, Austrian Scholars.

- Jim Ullmer, Professor (Tennessee Ph.D.). Historian of thought specializing in pre-Smithian figures. Very popular in the classroom. Has attracted students to our Free Enterprise Educational Activities programs.

- Steve Ha (Minnesota Ph.D.), Professor. Specializes in urban/regional economics. Is not especially free market, but is supportive. Especially likes anything that raises stature of the Economics discipline and pedagogical rigor.

- Darrell Parker (Purdue Ph.D.). Dean. A long-time academic economist, formerly held a chair in free enterprise in Georgia. As Dean, he has sought to build big and build quickly. Is keen on raising external funds. More below.

- Zac Gochenour, VAP (GMU Ph.D.). Student of Boettke and Caplan. Hired in Fall '14 as a three-year adjunct to cover Steve Miller's classes while Steve served as WCU's re-accreditation director. Our plan was to convert Zac to tenure track. He is excellent in the classroom and a strong magnet for students.

- Edward Lopez, BB&T Distinguished Professor (GMU Ph.D.). Through the BB&T endowment, I administer student programs (research projects, scholarships to attend SFL, IHS & FEE seminars) and faculty research awards.

Of these faculty, Gochenour and I are committed to program building while the others do not oppose.

1B. There is no economics major at WCU (a strange situation that goes back almost 20 years). However, we have a thriving minor (about 75) that attracts better students from within the CoB and other majors like sociology, history, political science, etc.

1C. In the past 3-5 years, our Free Enterprise Educational Activities programs have established high visibility on campus and a strong reputation among students. These programs are jointly administered/funded by the BB&T professorship and annual gifts from the Foundation. A pipeline of student development has been the result, and we have helped a number of quality students move onto

careers in ideas (for details, please see our 2014-15 grant report). For a number of reasons that can be discussed, there is much potential for more growth of this pipeline.

1D. Among our upper administration (Provost starting her third year, Chancellor his fifth), there is a strong preference to situate WCU as an institutional leader in the region's economy. In addition to workforce education/training, several major projects have been established in the past 5-10 years. First, we have a new Millennium Campus, which is concentrated on health sciences & services, and the current initiative is to attract private sector partners to co-locate and lease space. Second, we have established LEAD:WNC (<http://www.wcu.edu/leadwnc/index.html>) as a magnet for local/regional economic development authorities and small businesses; an annual conference on campus provides a networking and brainstorming forum; a Regional Outlook study authored by WCU faculty provides information. Third, one of our CoB hospitality & tourism professors gives frequent talks to community groups, conducts multiplier-type impact studies, and organizes an annual tourism conference on campus. Fourth, the CoB is home to two non-academic centers that engage directly with external businesses and development authorities in the region. Fifth, the University established the Gimelstob-Landry Distinguished Professorship in Regional Economic Development (vacant, more details below). Overall, WCU's upper administration monitors, supports, and sometimes directly influences and participates in these activities. It is difficult to overstate how highly our campus leaders prioritize making WCU a leader in the region's economy.

2. Current Situation

Two developments in the Spring of 2015 have put WCU's Free Enterprise programs at a crossroads. First, Steve Miller was hired by Troy. Second, we had a failed search for the Gimelstob-Landry Distinguished Professorship.

2A. Steve's departure leaves a major gap in leadership. Even during the year when he was working full time in campus administration, he co-authored papers with economics faculty, organized a "free enterprise scholars" group with regular meetings about students and research, administered the Foundation's annual grant, and provided a strong hallway presence.

Steve's departure also implicitly changes the default plan for Zac Gochenour: instead of converting his visiting position to a new tenure-track line, the default plan is to let him compete for Steve's existing line. So in a way, Steve's departure has cost us the opportunity to add a new assistant professor position.

2B. Second is the failed Gimelstob-Landry (GL) search. Although this position was created in 2006, it has never been filled due to budget constraints. Dean Parker's administrative ingenuity lined up the money in 2014, and the position was allocated to Economics. I chaired the search committee during 2014-15 and delivered a viable candidate to the administration in late February of '15, but the deal fell through at the very end (for reasons that can be discussed).

At issue with this position—and the reason it puts us at a crossroads—is an important difference between the preferences of administrators and the preferences of the free enterprise (Economics) faculty. The administration wants external engagement through the activities mentioned in 1D above, with a clear emphasis on raising external funds. The faculty wants an academic thought leader who contributes to the University's mission through sound research in economic freedom and, equally

importantly, who helps lead our Free Enterprise Educational Activities toward their fullest potential. Looking ahead at the 2015-16 search for this position, there is reason to anticipate that the administration's preferences will be met, while the faculty's preferences go unmet.

Roughly speaking, therefore, if things do not go our way then we still have Zac (or whoever gets hired into Steve's line) and me, but we will have effectively lost an endowed distinguished professorship and a tenure-track assistant professorship.

2C. To avert that outcome, I propose a two-pronged strategy that would resolve the administration's and the faculty's preferences and allow them both to be met. First prong: persuade the administration that the University's economic development mission is better served by filling the GL chair with a thought leader instead of a speech-giving fund raiser. I will argue that a University's comparative advantage is (and should be) in the production of ideas. In doing so, I will deploy my own research on the intellectual structure of political/social change. I also will draw upon the wording in the GL gift agreement because it emphasizes thought leadership and science-based policy analysis, yet it does not mention external engagement or fundraising. Overall, since WCU already engages in various practical ways, there is a higher marginal return to engaging now through idea production. This is a winnable argument, especially when paired with the strategy's other prong.

The second prong is to couple the search with external funds. One way to do this is to recruit an individual who brings a center or multi-year project with him or her. A variation on this idea is to raise funds that would be attached to this position once it is filled (or once a viable candidate is presented to the administration). Even if successful, however, this way doesn't solve the problem of effectively losing the new tenure-track assistant professor line. This brings me to my proposed investment scenario and the value it would generate.

3. Investment Scenario

If things do go the faculty's way with these hires, then WCU would be poised to emerge as a powerhouse of student development and research in the areas of economic freedom and free market policy analysis.

3A. Ideal scenario: Recruit free enterprise individuals for the GL chair and for Steve Miller's line while also creating a new assistant professor line that Zac Gochenour can compete for. Establish an economics major and expand economics course offerings. Continue to grow our Free Enterprise Educational Activities programs, and develop our pipeline of student development to its fullest potential. Establish WCU as a respected authority in producing sound research and policy analysis for North Carolina, the region, and nationally. Establish WCU as a hub of free enterprise idea entrepreneurs, with productive links to individual scholars and program builders at UNC-Charlotte, Johnson & Wales, Wake Forest, Winston-Salem State, College of Charleston, Coastal Carolina, UNC-Wilmington, Fayetteville State, Berry College, and others to form a regional cluster.

Investment:

- The Foundation provides a gift to top-off the Gimelstob-Landry endowment from its current \$500,000 to the \$1,000,000 range. This enables us to recruit at more competitive salaries (right now we are in the high \$120,000's) while fostering administrator buy in. The University lets us recruit a free enterprise scholar into this line.

- The University lets us recruit a free enterprise scholar into Steve Miller's existing line, with flexibility to recruit at the rank of full professor if a viable spousal pair (specific people can be discussed) becomes available for the GL line and this line.
- The Foundation provides approximately \$1.5m for five-year salary plus fringe for a new assistant professor, with unused funds cleared for operational purposes. This enables us to recruit a specialist in principles-level teaching to pursue our student development mission, and enables Zac Gochenour to compete for a tenure-track position.
- The University assumes responsibility for lines after five years.
- The Foundation assists in building relationships with local and regional donors in coming years.
- Total Foundation investment: \$2,000,000 over five years for new assistant professor line, GL top off, and cluster operations.
- Total University investment: Three faculty lines (GL, associate/full, and new assistant) go to free enterprise scholars. Support and facilities.

3B. Advantages:

In addition to the above-discussed gains of establishing a student-development and applied-research cluster, there are medium- and long-term advantages.

- This scenario establishes an identity for the CoB and for the School of Economics, Management, and Project Management, which would be valuable when cultivating local donors. Dean Parker, for example, has openly discussed the desire to attract donors interested in naming rights to the CoB and its three Schools. There are additional possibilities to discuss.
- Build on the undergraduate programs toward a Masters in Economic Analytics. Again, Dean Parker has expressed interest in doing this.
- Conduct cluster activities such as regional conferences, policy events, etc. at WCU's instructional site in Asheville. This raises that site's capacity utilization rate, which is a priority for upper administration.

3C. Concerns:

- The WCU faculty has been vocal in opposing gifts that threaten or appear to threaten academic freedom. Most conspicuously, there was open criticism of the BB&T gift in 2008.
- Current support staff is insufficient to bear the additional administrative loads associated with these additional positions and activities.
- Top administrators may be resolute in their preferences for a speech-giving fund raiser to fill Gimelstob-Landry, in which case much of this falls apart.

4. Conclusion

I would be eager to continue discussions at the Foundation's earliest convenience. In retrospect, I should have initiated this much sooner. However, only recently have the opportunities begun to take shape as I have conveyed them here.